

Handwritten: A.S.P.



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER BUSINESS LINE

July 1, 2003

In reply refer to: C - 4

VIA FACSIMILE

Mr. Dan Seligman
Columbia Research Corporation
209 W. Evergreen Blvd., Suite 605
Vancouver, WA 98660

Re: FOIA Request #03-025

Dear Mr. Seligman:

This letter responds to your FOIA request of May 5, 2003, regarding communications "between BPA and representatives of public power regarding the proposed adoption of the \$200 million risk reduction provision" contained in contracts between BPA and Puget Sound Energy, Inc., and PacifiCorp, respectively. We appreciate your patience while we searched our records for information dating back over two years. We enclose the following material as responsive to your request:

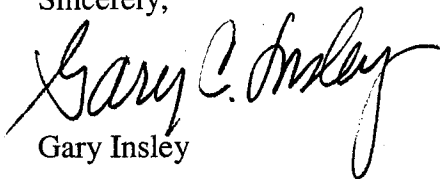
1. An e-mail dated April 3, 2001, from BPA employee Larry Kitchen to other BPA employees, discussing a conversation between Mr. Kitchen and Mr. Terry Mundorf regarding a proposal by Mr. Mundorf to settle litigation regarding the IOU Subscription Settlement Agreements;
2. Hand-written notes by Larry Kitchen regarding a meeting with customers "to talk about contingency language" to be set up for "Wed at 5 room 606."
3. The Wednesday, May 16, 2001, calendar for Paul Norman indicating a meeting entitled "IOUs/Mundorf/Saven - CR606 5b9c/DSI Contingency/IOU Buyback" from 5 p.m. to 6 p.m.
4. Hand-written notes by Larry Kitchen from a meeting with "Mundorf, Leone, Saven's rep./Geoff Carr."

In the above-noted meetings, BPA discussed the proposed PacifiCorp and Puget load reduction agreements with the representatives of BPA's preference customers.

In your FOIA request, you indicated a willingness to pay fees. We have determined that the research and review charges to process your FOIA request total \$50.00. An invoice for this amount will be sent under separate cover.

If you are dissatisfied with this response, you may appeal the adequacy of BPA's search by making an appeal within thirty (30) calendar days from your receipt of this letter to: The Director, Office of Hearings and Appeals, Department of Energy, 1000 Independence Avenue, SW, Washington, DC 20585. Both the envelope and letter must be clearly marked "Freedom of Information Act. Appeal."

Sincerely,

A handwritten signature in black ink, appearing to read "Gary C. Insley". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

Gary Insley

Enclosures

Insley, Gary - PTS-5

From: Kitchen, Larry - PT-5
Sent: Tuesday, April 03, 2001 1:25 PM
To: Cherry, Diane - PSP; Leathley, Kimberly - PTP-5; Casad, Kurt R - LP-7; Lovell, Byrne - KP-7; Insley, Gary - PTS-5; Wilson, Scott - PT-5; Miller, Mark - PT-5; Evans, Liz - PSW; Keep, Barney - PSP
Cc: Oliver, Stephen - PT-5; Burns, Allen - PS-6; Norman, Paul - P
Subject: One Year IOU Rate Mitigation Proposal

Diane, Paul had a discussion with Terry Mundorf yesterday afternoon where Terry suggested we pursue a one year rate mitigation proposal with the IOUs. I followed up with a phone call today and asked Terry to flesh out his idea. I drafted this proposal based on that conversation and got Terry's confirmation that it accurately reflected the conversation. I think this would be a viable proposal to put before the PUCs and see how they react.

There are several financial issues that need fine-tuning. I have assumed that the contingent cash payment in the proposal is not included in the load based CRAC. I have also assumed that BPA can pay interest on a deferred payment without violating any Federal statutes.

The other catch is getting it blessed by PBL and then BPA management by the 10th. I think this proposal should be considered as an option tomorrow afternoon. The other two options are to proceed to ask for a 25% reduction in benefits by June 1 without any consideration other than asking the publics to attempt to settle at some future date or seeking a global settlement and asking to buy back power prior to the settlement. Larry



One Year IOU
Subscription Glob...

One Year IOU Subscription Global Settlement Proposal

Goals:

- Achieve a global settlement between the IOUs and the Public Utilities regarding IOU Subscription Settlement Agreements
- Lower the first year BPA wholesale rate increase due to the load-based CRAC

Proposal

- Public agencies would agree to place their litigation on the IOU Subscription Settlement Agreements in abeyance pending settlement discussions
- IOUs would contribute their regional share to rate mitigation through a 5% reduction in their benefits for the first year
- IOUs would provide this reduction to BPA through a negotiated firm power sale at a below market price:
- IOUs would provide BPA 500 aMW of firm power at \$75/MWh for one year from October 1, 2001, through September 30, 2002, either on a prorata basis or as negotiated among the IOUs
- BPA would agree to make a contingent payment to each IOU if a global settlement is not concluded based on the following formula:
- The contingent payment would equal the difference between the market value for the one-year power delivery determined during the five business days prior to June 1, 2001, for power less the \$75 purchase price less 5% of the calculated value of the IOU Subscription Settlement benefits.
- The contingent payments would be made by BPA the later of October 1, 2002, or the date BPA determines such payment will not result in triggering BPA's financial cost recovery adjustment clause. If BPA defers such payment beyond October 1, 2002, the amount of the payment will be increased by __ percent per month.

① ~~Gent Hall 4529~~
~~From Allet SFS~~

② Denise Hill

③ Dale Latham - Public Aff's would like additional info on ~~what~~ what they can share

~~④~~ Marilyn - IOU alert on D&T alert

④ Allen Burns - Customers want to talk about contingency ~~at~~ language
- Met at 5 pm 606

⑤ Allen - Met & talk to public about IOU deals

⑥ Darren Duall - Paula Justice Eff

⑦ Mark Levi - Cal. PUC did pass rule initiative including discriminatory rules against Reg agencies.

⑧

IOU

- ~~Behavior~~

- ~~Power~~

- ~~Contingency Power~~

- ~~IOU, Regulatory~~

- ~~Public Power~~

- ~~Pass Through~~

- ~~Examine Analysis of IOU Deals~~

Anita MK, 16E +

May 16, 2001

Wednesday

May 2001

| S | M | T | W | T | F | S |
|----|----|----|----|----|----|----|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

June 2001

| S | M | T | W | T | F | S |
|----|----|----|----|----|----|----|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |

| Cheryl A/L | | TaskPad |
|------------|--|----------------------------------|
| 7 am | | <input type="checkbox"/> TaskPad |
| 8 00 | John Taves - CBS Radio News Interview (X4995) Norman's ofc | |
| 9 00 | | |
| 10 00 | | |
| 11 00 | | |
| 12 pm | | |
| 1 00 | Laila McClay (ACF News Source/CBS Radio News) about the DSI and spill issues at 1 p.m. today. I told her you would call her at 415-382-6202. | |
| 2 00 | | |
| 3 00 | | |
| 4 00 | | |
| 5 00 | IOUs/Mundorf/Saven - CR606 5b9c/DSI Contingency/IOU Buyback | Notes |
| 6 00 | | |
| | | |
| | | |

Tia Castille
- 2 yr ^{sims}
Barge 50 MW

Denise Hall
- Energy return by end of month
- Don't want it from / only on
H.H.
- Back this weekend.

BPA - Schatz not Mr. DDC
Rugel - B. Th out

Publics

- Not opposed to 15th shot legislation
if they like the deal.
- Is it needed or reasonable? -

Murdoch, Leone, Savin's rep. / Geoff Carr

~~Gap~~ \$43.5

85 - 30 - 55
50

- ① prefer no legislation
 - ② willing to consider if demonstrable need.

Murdoch

\$38 tried to ^{decreasibility}
- Would like a ^{wipe} safety net.

Mark - Get public support for ^{rate} home - abuse

- ~~keep~~ Potential in the Con. Prog. program

- Include a line item for ^{use} rates.